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SPECIAL PROBLEMS OF CONTENT AND PRESENTATION IN FINANCE INSTRUCTION IN LARGE SCHOOLS OF COMMERCE

Several months ago I made a gratuitous report, self-inspired, to my university, on the possibility of injecting some scientific management into the administration of the School of Commerce, Accounts, and Finance. I shall take the liberty of borrowing freely from that report without troubling to indicate by punctuation what parts are quoted.

New York University presents the problems of any large and rapidly growing business organization. We have in the entire university, according to latest reports, 12,943 students, and in the School of Commerce we have 6,333 students. The School of Commerce itself is located at Washington Square. A so-called Wall Street branch is located downtown in the old Trinity School building, almost where Wall Street would be if it were not halted by the graveyard of Trinity Church. Other work is given in Brooklyn and Newark. The problem of curriculum-planning is further complicated by the relation of the school to the newly founded Graduate School of Business Administration, intended only for college graduates, and also by the proximity of the so-called Washington Square College, a college having its own dean and courses of its own but adopting many of the courses offered by the School of Commerce faculty primarily for its own students. We have night students and day students, regular or qualified students, and special students not seeking a degree. These latter usually are found in the special courses, such as Federal Taxes, Credits and Collections, and the like. On the faculty side the hierarchy runs all the way from student proctors through graduate examiners, special lecturers, regular lecturers, instructors, several grades of professors, heads of departments, deans, a dean of women, and a dean of deans, all trying to nestle under a chancellor—and I almost can hear a sympathetic, “Heaven pity him!” Of course there

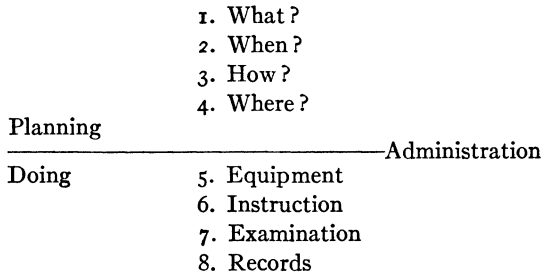
are many standing committees and directors of special activities such as the director of the day students—the latter younger men who need special oversight in a great city—and the director of the Placement Bureau.

It will be readily understood that an institution with ramifications of this kind presents difficult problems of curriculum-planning. But there is another difficulty which arises from rapid growth and location in a metropolitan city. Sometimes our curricula have expanded logically in certain directions, just for example as New York—that is old New York or Manhattan—has expanded northward on the so-called peninsular plan, familiar to traffic engineers. But frequently we have annexed courses in the same way that Brooklyn annexed the various villages of Bushwick and Williamsburg and Flatbush. The result is that our courses frequently are as crazily confused as the streets of Brooklyn. And just as you will find two thoroughfares, one called an avenue and the other a street, but both with the same name, Grand for example, so we sometimes find pretty much the same material parading now as accounting and now as finance—and again, of course, described in each case as “grand.” From time to time we have had groups of business men present their demands for a course dealing with their special problems. Frequently those demands have been presented first to some member of the faculty with whom the secretary of a trade or other organization has been personally acquainted, and the contingency of that acquaintance has determined the place of the new instruction in our departmentalized outline of courses.

Still one more difficulty has conspired to make our outline illogical. Our teachers are of course not all of the same degree of excellence. We have therefore maintained a somewhat rigid classification of required and elective courses in order to bring as many students as possible under the tutoring of the most capable teachers.

I, for one, therefore feel that the time has come when the curriculum of our School of Commerce should be revised, the way a city is sometimes rebuilt after a conflagration. I do not intend here to give a complete plan of a finance department, but to discuss very briefly some of the fundamental questions that ought to be examined were such a revision to take place. Taking my cue from

scientific management I would divide my problem in two and call one part "planning" and the other "doing." Not because it is altogether pertinent but because it may be interesting, I present the following simple diagram:



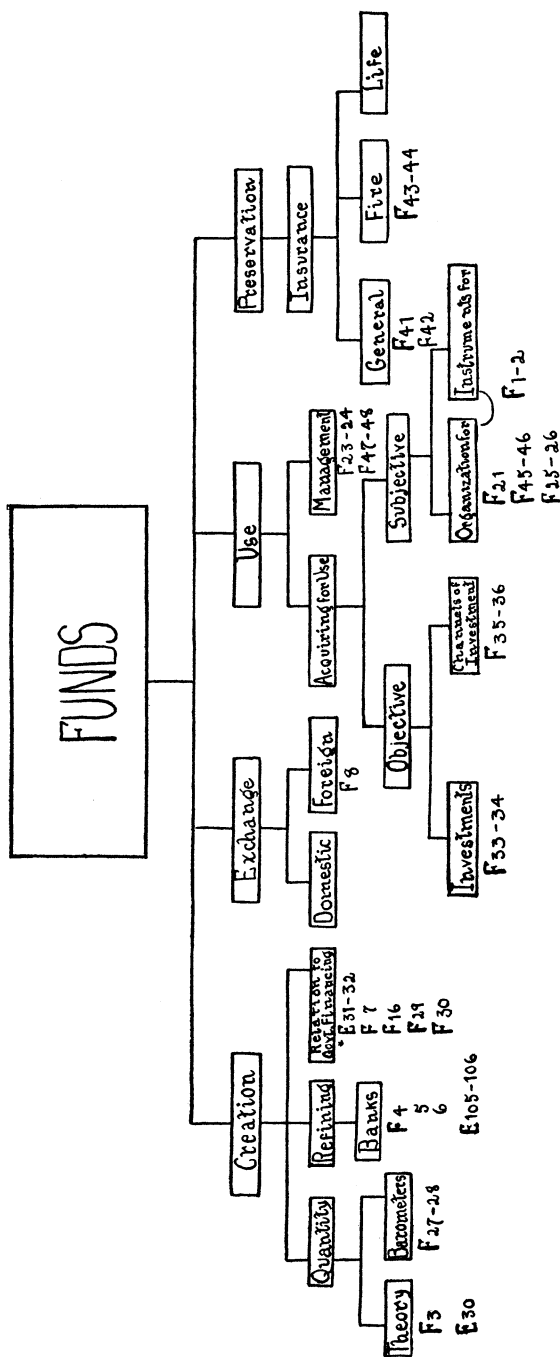
Since I intend to restrict this paper to the problem of planning I shall have to give some consideration to each of the following questions: What shall we teach as finance? What is the best sequence? What methods shall we use or what purpose shall we have in mind? And finally, where shall we teach it?

WHAT SHALL WE TEACH AS FINANCE ?

If you had gone to a public library fifteen years ago and had asked for a book on finance, you would probably have received a number of books all of which dealt exclusively with public finance. In a large school of commerce with a separate department of politics or public affairs, the subject of public finance can best be left to this department. If, however, public finance is to be classified among the finance courses it can be handled quite separately from the courses dealing with private finance, and the danger of overlapping, it seems to me, need never be serious.

Finance is the science of funds. This science I divide into two parts; that dealing with the creation and refining of funds and that dealing with the use and preservation of funds. The diagram on page 403 will show generally how the courses in finance can be classified.

The question of a correct classification, however, Professor Moulton will probably discuss. I prefer here to restrict myself to several very practical aspects of the problem of classification.



SCHEDULE OF COURSES

(AS NUMBERED IN THE BULLETIN OF THE SCHOOL OF COMMERCE, NEW YORK UNIVERSITY)

F 1-2	Business Finance	25	Public Utility Valuation	43-44	Fire Insurance
3	Money and Credit	26	Public Utility Rate-making	45-46	Real Estate
4	Theory and History of Banking	27-28	Panics and Depression	47	Mercantile Credits
5	Banking Practice	29	Federal Tax Reports	48	Credit Problems and Collections
6	Foreign Banking	30	State Taxes	101-2	Finance Seminar
7	Current Financial Problems	31	Foreign Public Bonds		ECONOMICS
8	Foreign Exchange	33-34	Investments	E 30	Modern Currency Reform
16	Principles and Practice of Taxation	35-36	The Work of Wall Street	31-2	Public Finance
21	Physical Construction and Operation of Public Utilities	39-40	Railroad Bonds	105-6	The Operation of the Federal Reserve System
23-4	Analysis of Corporation Reports	41	Insurance Law and Practice		
		42	Principles of Insurance		

My experience has been that instructors in finance have been either (1) lawyers, or (2) graduates of schools of business administration, or (3) Doctors of Philosophy. The first are apt to wander into the jurisdiction of the law courses, the second are apt to run amuck of accounting, and the third are apt to lay, I think, too much stress on the social side of the question. In a relatively small school with few instructors the trouble arising from this warping of the finance courses is not so serious as in the large school with many instructors. In the first place, in the large school the teacher with a restricted angle of attack is likely to excuse his bias with the observation that there are other teachers in other fields to come to the rescue. Sometimes, however, the teacher with a bias is simply narrow-minded and will say "pish" to the phases of the subject in which he is not interested. One man I know of, for example, insists upon identifying the law of the load factor with his old Ph.D. friend, the law of increasing returns, and another teacher of finance in a very large institution—his background is legal—will simply overlook the existence of traffic statistics in a railroad report as completely and, shall I say, as witheringly as a "fine" dame will ignore the existence of a "tradesman."

The solution to this problem it seems to me is to be found in the proper education of men for the special work of teaching finance. Probably the best way to do this is to direct piecemeal the education of promising young men who may be attracted to the vocation of teaching in schools of commerce. I doubt if there is a really well-trained teacher of finance in America today. I mean by that one whose education through a minimum of four years of postgraduate work was all directed toward preparing him for teaching finance. If there is such a man, he has had a great deal of mathematics; he has struggled with the law to a point where he appreciates its logic; he has studied enough engineering to be able to stare an engineer's report in the face and, yes, to call it at times a liar; he understands the theory of accounts; and he has shaken salt on the tail of the material for a Doctor's thesis in economics. Out of men thus educated is to come a syllabus of finance that will command respect from all schools.

SEQUENCE OF SUBJECTS

Here two problems arise: (1) what courses should be taken before any finance is studied, and (2) in what order shall the courses inside the department be taken.

Both of these questions are too big to be discussed at length. I can merely give a summary of my views. Before finance is undertaken, I believe a student should study elementary economics; law of contracts and agency; mathematics of interest, annuities, etc.; elementary accounting.

Just one word on one of the subjects—economics. I do not believe the Freshman should be loaded up with economic theory. Frankly, for a man whose interests lie mostly in finance I should recommend as an introduction to further study in finance an ex cathedra statement of a few principles, such a statement as will be found in Fisher's *Principles of Economics*, supplemented by a study of economic history, such for example as is provided by Professor Isaac Lippincott's recent *Economic Development of the United States*. A thoroughly critical study of economic theory, it seems to me, is a matter to be taken up by Seniors only. But the main thing is to start the student of finance off with a close acquaintance with the important elementary economic concepts and a general historical and descriptive background into which his studies in finance can be fitted.

Each one of the subjects I have mentioned above has its trail of subjects in finance proper and these trails can be followed contemporaneously. For economy's sake I will indicate them as follows: (1) elementary economics: money and credit, banking, foreign exchange; (2) law: corporation finance, credits and collections; (3) mathematics: investments, work of Wall Street, insurance; (4) accounting: analysis of financial reports (corporation finance also meets this trail).

HOW SHALL FINANCE BE TAUGHT?

Ex-President Hadley of Yale wrote an article in *Harpers* for June, 1919, from which I quote the following:

This [better teaching] is the need which most impresses itself on students. . . . It is not enough to pay increased salaries to a few first-class men. We

must enable the first-class teacher to earn more as well as to receive more. We must give him the chance to work under the conditions of maximum efficiency so that he can furnish good teaching to as large a number of students as possible. To secure this result there must be active co-operation on the part of the pupils. Why is a law class of two hundred an easier thing for a first-rate teacher to handle than a history class of one-third the number? Because every student in the law class has a personal interest in learning all he can. It is for his obvious interest to listen to every suggestion of the professor, to follow all the discussions of the classroom as closely as if he himself were taking part, and to spend his spare hours in the library reading cases which illustrate the subjects taught with only that minimum amount of guidance which will enable him to find his own way. This is why law teachers do efficient work and why they can be paid salaries which are higher than those that any other teachers as a class command. The law student knows that he himself is responsible for nineteen-twentieths of the work of his own education and that no excuse will be accepted by the courts if he fails to meet the responsibility.

If there be any doubt as to the efficiency of the American law school, listen to this from H. J. L. (undoubtedly Harold J. Laskey who left Harvard to go to the London School of Economics) in the *Clare Market Review* (the students' official organ of the London University School of Commerce):

Her [America's] law schools are her educational glory; neither in Oxford nor in Cambridge . . . have we anything which, either in equipment or technique, is even within range of the achievement of the Harvard Law School or a score of lesser institutions. . . . There [in Harvard] the pathos of mere lectures has been realised. There, discussion is an instrument of persistent discovery. . . . The result is that the glory of Bologna and of Bourges is not in Oxford or Cambridge, and, as Maitland said, it will stay in Harvard until we take the obvious step to our own reformation.

I gave two courses in a law school (St. Lawrence University) last fall, myself, one in constitutional law and the other in the law of bankruptcy, and I have a sneaking suspicion, since constitutional law in New York state is one of the bar examination subjects and bankruptcy is not, and since the students did noticeably better in constitutional law than in bankruptcy, that the ever present consciousness of a final reckoning in the bar examinations has something to do with the earnestness of law students. I will not say that the examinations are a more important influence than that pointed out by President Hadley, but I do feel that they

are potent. In a subject like finance it is possible to get aid from professional sources in setting examinations. The American Bankers Association might combine with its educational program of the Institute standard yearly examinations in banking subjects. The Investment Bankers Association might supplement its educational work by similar examinations. The National Association of Credit Men already has undertaken this work. And I am personally seriously thinking of establishing a branch here of the British Association of Company Secretaries, a society which recognizes two degrees—associate and fellow—and gives, besides a preliminary examination, examinations for each degree. We also have a start in finance in the examinations of the Actuarial Society.

I believe that it is possible to handle large classes in finance with a fair degree of success, even without quiz sections. I, however, do not believe in the lecture method. This system, Birdseye in his *Individual Training in American Colleges* has characterized as follows:

He [the student] early forms the lecture habit and loses the sense of personal responsibility. He spends one-half of his working time in the lecture-room and stands about as much chance of gaining mental vigor as he would of gaining bodily vigor by sitting on the bleachers and cheering his college team.

In most of our finance courses in New York University we use the case method. For each session a certain problem or number of problems based as far as possible on concrete business situations is required to be brought in in writing. Special reports are also required. No student is given a mark unless this written work is done. Tardiness in submitting written work affects adversely the final mark. In other words, our courses are planned to require some definite work each week. In some of the large courses special students are selected, either in the course or who have gone through the course, to give help in preparing written work.

WHERE TO TEACH FINANCE

How much of finance can be taught outside the classroom? Frankly our school is so large that we cannot even help students to visit the stock exchange. To be sure many of them do visit it, and all are able to get into the large or the small exchange. But

small classes in special subjects do make considerable use of the facilities of the metropolis. Visits to stock exchange "board" rooms, to banks and trust companies, to the offices of credit-rating houses, credit-exchange bureaus, to the fire exchange, to the clearing-house, are arranged. I have sometimes taken men to construction work in connection with promotion problems, and at one time we gave a course as a preliminary to courses in public-utility problems that met once a week in the evening, each time at a different plant, even including a hydroelectric. So increasingly difficult, however, is this problem of visiting points of interest to students of finance that I am of the opinion that large metropolitan schools will soon have to run their own banks, conduct their own exchanges—all on a laboratory basis, to be sure, but with adequate equipment. Some work of this kind, indeed, can be carried on in earnest. I have in mind at present the establishment of credit unions, investment trusts, and the like.

Large schools of commerce, like that of New York University, in metropolitan centers, it seems to me, should not dodge the fact that they are in large measure continuation schools. In that capacity they are doing noble work. Most of our men follow a paid vocation in the day and study in the afternoon and evening. These men put into practice from day to day as much as they can assimilate of the product of the school. Co-operative work, such as Schneider is doing in Cincinnati, I am afraid will not be very successful in New York. In the progressive, moneyed institutions where such co-operative effort might be introduced, we find schools organized under special teachers and junior officers. With such institutions we do of course constantly come into contact. We recommend employees, we teach, under conditional scholarships granted by the banks, picked groups of young employees, and we provide in certain instances teachers for classes conducted by the institution itself. To my mind the most promising form of co-ordinated work in the field of finance is that being carried on at Pittsburgh by the insurance people. Between this frankly intensified cramming and the leisurely digestion of a well-balanced ration of finance courses, complemented with studies in the other departments of business, I see no middle ground other than the

continuation school. After all, while the continuation school does not afford the advantages of a co-ordinator, it does provide one of the most important elements of personal strength—self-reliance. The student gets his principles in the classroom, his practice in the office, and meantime escapes from the apron strings of academic maternalism.

CHARLES W. GERSTENBERG

NEW YORK UNIVERSITY